

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Outstanding Issue

SANDWELL AND COMPANY LIMITED

(Incorporated under the laws of the Province of British Columbia)

250,000 Common shares (without nominal or par value)

The 250,000 common shares offered by this prospectus are being sold by the selling shareholder shown under "Principal Shareholders and Selling Shareholder" on page 7. The Company will receive no part of the proceeds from the sale of such common shares.

Applications have been made to list the common shares of the Company on the Vancouver Stock Exchange, The Toronto Stock Exchange and the Montreal Stock Exchange. Acceptance of the listings will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

PRICE: \$ 12.00 per share

	Price to Public	Underwriting Discount	Proceeds to selling shareholder (1)
Per share	\$12.00	\$.72	\$11.28
Total	\$3,000,000	\$180,000	\$2,820,000

(1) Before deduction of expenses of the offering estimated at \$20,000.

There is no market for the common shares of the Company. The price for this offering was determined by negotiation between the selling shareholder and the Underwriters.

We, as principals, offer these common shares subject to prior sale, if, as and when accepted by us and subject to the approval of all legal matters on behalf of the Company and the selling shareholder by Lawson, Lundell, Lawson & McIntosh, Vancouver, and on our behalf by Doheny, Day, Mackenzie & Lawrence, Montreal.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery not later than December 15, 1969.

Pemberton Securities
LIMITED

VANCOUVER

TORONTO
KAMLOOPS

VICTORIA
KELOWNA

NEW WESTMINSTER
PENTICTON VERNON

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THE COMPANY

Sandwell and Company Limited and its subsidiaries (the "Sandwell Group" or "Sandwell") provide, on a world-wide basis, the services of professional engineers and management specialists, principally to the forest products industries. The scope of these services include the design, engineering, supervision of construction, start-up and operating management of pulp and paper mills, sawmills, plywood and particleboard plants; forestry resources investigations, development and management; technical and economic studies and market investigations.

While the forest products industries still represent its major field of activity, the Sandwell Group has, during the last five years, implemented a planned program of diversification. Sandwell engineers now have the capability of providing directly or in association with affiliates, consulting engineering and management services for thermal and hydroelectric power projects, chemical and mining projects, pollution control and computer programs and applications.

Sandwell and Company Limited (the "Company") was incorporated in 1958 as a private company under the name Sandwell Engineering Services Limited by the registration of its Memorandum of Association and Articles of Association pursuant to the provisions of the Companies Act of British Columbia and carries on the business of a predecessor company formed in 1949. The Company's name was changed on October 31, 1960 to its present name. On November 12, 1969 it was converted to a public company pursuant to a special resolution filed with the Registrar of Companies of British Columbia.

The Company's head office and principal place of business is located at 1500 Alberni Street, Vancouver, British Columbia. This property is owned by the Company. Sandwell leases space for its regional offices in Vancouver and Montreal; Portland, Oregon; and London, Stockholm and Zurich in Europe. The Company's registered office is located at 13th Floor, 409 Granville Street, Vancouver, British Columbia.

CAPITALIZATION

	Authorized	Outstanding at August 31, 1969	Outstanding at September 30, 1969
Common shares without par value (1) (2)	2,000,000 shs.	897,000 shs. (\$54,285)	897,000 shs. (\$54,285)

Notes:

- (1) Reference is made to "Share Option Plan" on page 7.
- (2) In addition to the paid up capital shown in this table, the Company had combined retained earnings of \$3,358,000 at August 31, 1969.
- (3) Reference is made to Note 7 to the consolidated financial statements on page 15 relating to long-term leases.

BUSINESS

General

During the 21 years since its foundation by P. R. Sandwell, the Sandwell Group has grown into an international organization which today comprises the Company and the following wholly-owned active subsidiaries:

Name	Head Office
P. R. Sandwell and Company (U.K.) Limited	London, England
Sandwell Aktiebolag	Stockholm, Sweden
Sandwell International Incorporated	Portland, Oregon
Sandwell Limited	Hamilton, Bermuda
Sandwell-Paperconsult Ltd.	Zurich, Switzerland

The Sandwell Group serves, in the main, the forest industries in the broadest sense. Other companies, referred to as affiliates, in which the Company has a participating interest, supplement the Sandwell Group in

serving the forest industries. Each affiliate operates independently within its own particular field of specialization, thus giving the Company diversification into fields other than the forest industries.

Affiliates

Forestal Companies

Forestal Forestry and Engineering International Limited and Forestal Forestry and Engineering Limited (the "Forestal Companies") of Vancouver, are wholly-owned subsidiaries of the Company. Established in 1952, they specialize in land-use surveys, forest inventories and working plans and all other facets of forestry and forest engineering. A significant part of their work has been undertaken in tropical countries.

Swan Wooster Engineering Co. Ltd.

Swan Wooster, of Vancouver, in which the Company has a 40 percent interest, carries on a practice specializing in heavy civil engineering, both public and private and provides Sandwell with civil and structural engineering support. Carrying on a practice which was founded in 1925, this company has regional offices in Montreal, Toronto, St. Catharines, Ontario and Portland, Oregon.

T. W. Beak Consultants Ltd.

Beak, of Montreal, in which the Company has a 30 percent interest, also has offices in Vancouver, Toronto and Portland, Oregon. Established in 1955 it specializes in pollution abatement and control. Negotiations are being carried on for the acquisition by the Company of the remaining 70 percent of the shares.

Stapleton, Dowdeswell, Kelly & Hunt Ltd.

Stapleton, of Vancouver, in which the Company has a 25 percent non-voting, participating interest, was established in 1968 and has offices in Vancouver, Montreal and Toronto. It specializes in electronic data processing and computer control, with particular emphasis on industrial process control.

Technical Agreements

In order to facilitate the development of activities overseas, and in order to widen Sandwell's fields of interest in such industries as electric power, mining and chemicals, the Company has working arrangements or joint venture agreements with other technically-oriented firms in Canada, Sweden, France and Switzerland.

Management and Organization

Each of the companies in the Sandwell Group and each of the affiliate companies operates independently. For purposes of professional co-ordination and control, the management of the Swiss and Swedish companies report to the management of the U.K. company, whose managing director, together with the vice presidents of the Canadian and American companies, form an executive committee of which the president of the Company is chairman.

Thus, while each senior executive has full authority in the areas for which he is responsible, namely

<u>Director of Operations</u>		<u>Area</u>
West	—	Western Canada, Asia, Australia and New Zealand
East	—	Eastern Canada, Northeastern U.S.A. and the Caribbean
U.S.A.	—	Western U.S.A. and Latin America
Europe	—	United Kingdom, Scandinavia, Continental Europe, the Near East and Africa

the full professional capability of Sandwell can be brought to bear anywhere.

Participation in the management of the affiliate companies is confined to participation on their respective boards. Professionals and supporting staff employed by the Company, its subsidiaries and affiliates total approximately 900 persons, of whom some 500 have professional qualifications.

Services Provided

Sandwell provides the services of professional engineers and management specialists, by itself or by its affiliates. The professional services so provided include:

Planning and Pre-Investment Studies

The matching of resources, markets and finance involving surveys of raw materials to determine their availability and cost; ascertaining market potentials, competition, prices, consumer acceptance, statistical analysis and long term trends; selection of sites, transportation systems and processing; and the determination of capital and manufacturing costs, cash flow forecasts and other aspects of financial analysis.

Design and Construction

The implementation of programs developed through planning, involving plans and specifications, procurement of plant and equipment, inspection and expediting, supervision and approval of work.

Mill Management and Operations Assistance

The commissioning of new plants and the supervision of their operation, involving training of personnel, development of systems for quality control and maintenance.

Payment for Services

Charges for services rendered are based on recommendations of applicable professional associations and are normally calculated on a time basis, whereby the client is charged the cost of salaries of personnel with a surcharge to cover indirect costs and profit, plus reimbursement for out-of-pocket expenses.

It is customary that payment for services rendered be made in the currency normally used by the operating office responsible for the project. In areas where currency restrictions apply or are likely to develop it is normal practice to request the establishment of a letter of credit with a bank and in a currency designated by Sandwell.

Volume

Sandwell has completed, or has in progress, approximately 1,000 assignments in 50 countries involving about \$1,250,000,000 of capital expenditures by clients. Sandwell billings for services performed on such assignments for the five year period to 31 August 1969 totalled \$56,000,000.

The following table sets forth the estimated remaining billing value of services to be rendered on commissioned projects in progress as at August 31 in each of the last five years:

Year	Value	Number of Projects
1965.....	\$4,333,000	81
1966.....	\$4,880,000	76
1967.....	\$4,839,000	79
1968.....	\$6,613,000	97
1969.....	\$9,015,000	131

Clients

Among the clients, for whose projects Sandwell services have recently or are currently being provided, are the following:

Client	Project Location	Type of Product
Bulkley Valley Forest Industries Ltd.	Canada	Integrated Pulp, Paper and Wood Products
Canadian International Paper Company Ltd.	Canada	Newsprint
Canadian International Paper Company Ltd.	Canada	Corrugating Medium
Consolidated-Bathurst Ltd.	Canada	Bleached Kraft Pulp
Consolidated-Bathurst Ltd.	Canada	Linerboard
Domtar Limited	Canada	Bleached Kraft Pulp
The E. B. Eddy Co. Ltd.	Canada	Tissue Paper
Eurocan Pulp & Paper Co. Ltd.	Canada	Integrated Pulp, Paper and Wood Products
Intercontinental Pulp Company Ltd.	Canada	Bleached Kraft Pulp
Quebec North Shore Paper Co. Ltd.	Canada	Newsprint
Spruce Falls Power and Paper Co. Ltd.	Canada	Newsprint
Scott Paper Limited	Canada	Tissue Paper
American Can Company	U.S.A.	Tissue Paper
Boise Cascade Corporation	U.S.A.	Fine Paper
Georgia-Pacific Corporation	U.S.A.	Fine Paper
Northwest Paper Company	U.S.A.	Fine Paper
West Tacoma Newsprint Company	U.S.A.	Newsprint
Western Kraft Corporation	U.S.A.	Bleached Kraft Pulp
Weyerhaeuser Company	U.S.A.	Linerboard
Koninklijke Nederlandsche Papierfabriek NV	Belgium	Coated Paper
Olinkraft Limitada	Brazil	Kraft Paper
De forenede Papirfabrikker	Denmark	Fine Paper
The Central Pulp Mills Ltd.	India	Bleached Kraft (Bamboo) Pulp
Celulose Billerud S.A.R.L.	Portugal	Dissolving Pulp
Mondi Valley Paper Co. Ltd.	South Africa	Newsprint and Printings
Billeruds Aktiebolag	Sweden	Corrugating Medium
Papierfabrik Balsthal AG	Switzerland	Tissue Paper

DESCRIPTION OF COMMON SHARES

The common shares without nominal or par value constitute the only shares of the Company. Each shareholder is entitled to one vote at all meetings of shareholders for each common share held and to share equally in respect of dividend rights and upon a winding-up or dissolution of the Company. All common shares outstanding are fully paid and non-assessable.

DIVIDENDS

Dividends paid in each of the five years ended August 31, 1965 to 1969 by the Company and its present subsidiaries, after elimination of inter-company dividends, were as follows:

	1969	1968	1967	1966	1965
Paid by the Company	\$205,000	\$125,000	\$550,000	nil	\$375,000
per share*	23¢	14¢	61¢	nil	42¢
Paid by the subsidiaries	609,294	148,997	173,061	\$540,625	22,500
Total dividends paid	\$814,294	\$273,997	\$723,061	\$540,625	\$397,500
Total dividends paid					
per share*	91¢	31¢	83¢	60¢	44¢

*Based on 897,000 shares now outstanding.

If the total dividends shown above were averaged for the past five years they would approximate 60¢ per share and, subject to earnings, financial conditions and the financial requirements of the Company, it is the intention of the Company to continue to pay quarterly dividends commensurate with previous dividends.

In addition to the dividends shown above, the Company declared a dividend on August 22, 1969 to shareholders of record August 28, 1969. The dividend was in the aggregate amount of \$131,250, was paid on September 12, 1969 and, based on 897,000 shares now outstanding, approximated 15¢ per share.

SHARE OPTION PLAN

On August 22, 1969 the Board of Directors of the Company instituted an Employees Share Option Plan, pursuant to which options to purchase 45,000 of the authorized but unissued common shares of the Company may be granted to employees of the Company or its subsidiaries. Under the Plan options have been granted to purchase 32,500 of the 45,000 shares, of which 14,000 are held by employees of the Company (excluding directors and senior officers), 4,000 by senior officers of subsidiaries and 14,500 by other employees of subsidiaries. All of such options are exercisable at \$10.80 per share, expire on December 31, 1975 and are exercisable on a cumulative basis as to 20% thereof during each of the five consecutive 12-month periods commencing January 1, 1971. Each option granted under the Plan provides for its earlier termination if the holder of the option ceases to be employed by Sandwell prior to the expiry date of his option. The price at which options may be granted on the remaining 12,500 shares under the Plan will not be less than 90% of the market price of the common shares on the day preceding the granting of such options.

PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER

The following are the names and particulars of the shareholdings of the shareholders of the Company (including Ritchie Developments Limited, the selling shareholder) owning of record or beneficially, directly or indirectly, to the knowledge of the Company more than 10% of the common shares of the Company on September 30, 1969:

Name and address	Type of ownership	Number of common shares owned	Percentage of shares outstanding
Ritchie Developments Limited, 1520 Alberni St., Vancouver, B.C.	Beneficially	462,000†	51.5
ELECTRO-WATT Electrical & Industrial Management Co. Ltd., 17 Talacker, Zurich, Switzerland.	Beneficially and of record	154,000	17.2
Billeruds Aktiebolag, Säffle, Sweden.	Beneficially and of record	154,000	17.2
Canada Permanent Trust Company, 455 Granville Street, Vancouver, B.C.	Of record	127,000	14.1

†of which four shares are registered in the names of four directors of the Company and the balance in the name of Ritchie Developments Limited.

After giving effect to the agreement with the Underwriters described under "Plan of Distribution" on this page and the proposed simultaneous sale by Ritchie Developments Limited to ELECTRO-WATT Electrical & Industrial Management Co. Ltd. of 25,400 common shares of the Company at a price of \$12 per share, the beneficial holdings of common shares of the Company by Ritchie Developments Limited and ELECTRO-WATT Electrical & Industrial Management Co. Ltd. will be 186,600 common shares (20.8%) and 179,400 common shares (20%), respectively.

The directors and senior officers of the Company beneficially own directly or indirectly 63.2% of the outstanding common shares of the Company and after giving effect to the transactions described above will beneficially own directly or indirectly 32.5% of such shares.

All the outstanding equity shares of Ritchie Developments Limited are beneficially owned by Mr. and Mrs. P. R. Sandwell.

PLAN OF DISTRIBUTION

On November 20, 1969, Ritchie Developments Limited and the Company entered into an agreement with Nesbitt Thomson Securities Limited and Pemberton Securities Limited as underwriters (the "Underwriters") whereby Ritchie Developments Limited agreed to sell the 250,000 common shares of the Company offered by this prospectus and the Underwriters jointly and severally agreed to purchase such shares at a price of \$11.28 per share payable in cash against delivery at a closing to be held not later than December 15, 1969, upon and subject to the terms and conditions set forth in the said agreement. Under the said agreement the Underwriters are obliged to take up and pay for all the 250,000 common shares if any are taken up, and to offer such common shares to the public at not more than \$12 per share. As at August 31, 1969 the net book value per common share was approximately \$3.80 and the net earnings per common share for the 12 months then ended were approximately \$1.06.

PRIOR SALES

On August 31, 1969 Ritchie Developments Limited, ELECTRO-WATT Electrical & Industrial Management Co. Ltd. and Billeruds Aktiebolag sold 105,000 common shares of the Company to seven senior officers of the Company at a price of \$8 per share as follows:

Ritchie Developments Limited	63,000 shares
ELECTRO-WATT Electrical & Industrial Management Co. Ltd.	21,000 shares
Billeruds Aktiebolag	21,000 shares

ESCROWED SHARES

Pursuant to an agreement dated August 31, 1969, the seven senior officers of the Company who purchased in the aggregate 105,000 common shares of the Company referred to under "Prior Sales" above, have transferred all such shares into the name of Canada Permanent Trust Company to be held in escrow, one third of such escrowed shares to be released on November 1, 1972, one third on November 1, 1973 and the balance on November 1, 1974 unless consent to prior release is given by the Company or unless any of such senior officers should attain the age of 65 years or previously die, in which event the shares then held in escrow for such senior officer will be released. On November 20, 1969 the Company gave an undertaking to Nesbitt Thomson Securities Limited that for a period of one year the Company would not consent to any prior release without the written approval of Nesbitt Thomson Securities Limited.

Pursuant to an agreement dated August 31, 1969, the 22,000 common shares of the Company issued to Helmut Swantje and Ian C. MacQueen Limited in exchange for outstanding shares in the Forestal companies referred to under "Material Contracts" on page 11, have been transferred into the name of Canada Permanent Trust Company to be held in escrow until December 31, 1970 unless consent to prior release is given by the Company or unless, in the event of the death of Helmut Swantje the 11,000 shares then held in escrow for him will be released. On November 20, 1969 the Company gave an undertaking to Nesbitt Thomson Securities Limited that the Company would not consent to any prior release without the written approval of Nesbitt Thomson Securities Limited.

Prior to the purchase by the Underwriters of the 250,000 common shares offered hereby, Ritchie Developments Limited, ELECTRO-WATT Electrical & Industrial Management Co. Ltd. and Billeruds Aktiebolag will transfer into the name of Canada Permanent Trust Company 519,996 common shares, being all the

shares in the Company registered in their names after giving effect to such purchase, to be held in escrow by Canada Permanent Trust Company until December 31, 1970 unless written consent to prior release is given by Nesbitt Thomson Securities Limited.

DIRECTORS AND OFFICERS

The names and home addresses in full of all of the directors and officers of the Company and the positions and offices held by each and their principal occupations within the five preceding years are as follows:

<u>Name and address</u>	<u>Office</u>	<u>Principal occupation</u>
Percy Ritchie Sandwell, 1389 The Crescent, Vancouver, B.C.	Director and President	President, Sandwell and Company Limited
Jeanpierre Bruderer, Maienburgweg 25 Zurich, Switzerland	Director	Executive Vice-President, ELECTRO-WATT Electrical & Industrial Management Co. Ltd.
Paul Emerson Cooper, 3638 Cypress Street, Vancouver, B.C.	Director	Executive Vice-President, 1964-65; Director, 1965-69, Sandwell and Company Limited
Hugh Ranken Horne, 4661 Marguerite Street, Vancouver, B.C.	Director and Treasurer	Treasurer, Sandwell and Company Limited
Charles William Evans Locke, 1849 Blanca Street, Vancouver, B.C.	Director and Executive Consultant	Vice-President, 1964-65; Executive Vice-President, 1965-68; Executive Consultant, 1968-69, Sandwell and Company Limited
Sherwood Dunsdon Ford, 5975 Angus Drive, Vancouver, B.C.	Executive Consultant	Vice-President, 1964-68; Executive Consultant, 1968-69, Sandwell and Company Limited
John Ashby, Suite 602 - 1245 Beach Avenue, Vancouver, B.C.	Vice-President	Executive Vice-President, 1964-65, Scott Paper Limited; Vice-President, 1965-69, Sandwell and Company Limited
Edward Samuel Barton, 2994 Park Lane, West Vancouver, B.C.	Vice-President	Vice-President, Sandwell and Company Limited
John Boyd Douglas, 348 Revere Avenue, Montreal, Quebec.	Vice-President	Vice-President, Sandwell and Company Limited
John Stafford Kendrick, 60 Sheringham, St. John's Wood Park, London N.W. 8, England.	Vice-President	Vice-President, 1964-68, Sandwell and Company Limited; Managing Director, 1968-69, P. R. Sandwell and Company (U.K.) Limited

Name and address	Office	Principal occupation
Harold Parker Jackson Moorhead, 1463 Devonshire Crescent, Vancouver, B.C.	Vice-President	Vice-President, Sandwell and Company Limited
Daniel Fredrick Williamson, 3909 S.W. 52nd Place, Portland, Oregon, U.S.A.	Vice-President	Vice-President, Sandwell International Incorporated
David Adair Lawson, 5988 Churchill Street, Vancouver, B.C.	Secretary	Partner, Lawson, Lundell, Lawson & McIntosh, Barristers and Solicitors
George Buchan McIntosh, 6975 Adera Street, Vancouver, B.C.	Assistant-Secretary	Partner, Lawson, Lundell, Lawson & McIntosh, Barristers and Solicitors

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company for the fiscal year ended August 31, 1969 was \$589,394 and from September 1, 1969 to September 30, 1969 was \$33,371.

The cost to the Company and its subsidiaries in the last completed fiscal year of all pension benefits proposed to be paid in the aggregate to the directors and senior officers of the Company in the event of retirement at normal retirement age was approximately \$9,900.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

On July 31, 1969 the Company sold to Ritchie Developments Limited real property situated in the City of Vancouver. The price was determined by independent appraisal.

On August 31, 1969 the Company acquired all the outstanding shares of Sandwell International Incorporated (an Oregon corporation), Sandwell-Paperconsult Ltd. (a Swiss corporation) and Sandwell Aktiebolag (a Swedish corporation) from Ritchie Developments Limited, ELECTRO-WATT Electrical & Industrial Management Co. Ltd. and Billeruds Aktiebolag in exchange for 320,000 common shares of the Company. The three companies so acquired carry on operations similar to those of the Company in the United States of America, Latin America, Continental Europe (including the Scandinavian countries) and Africa. The relative values placed on the shares of the Company and on the shares of the three companies so acquired were based on the average of their respective earnings for the last five fiscal years. Further particulars of this acquisition are set forth in Note 1 to the Consolidated Financial Statements on page 14.

On August 31, 1969 the Company purchased for cash a 30% equity interest in T. W. Beak Consultants Ltd. and a 25% non-voting interest in Stapleton, Dowdeswell, Kelly & Hunt Limited from a company in which Billeruds Aktiebolag and ELECTRO-WATT Electrical & Industrial Management Co. Ltd. each held a 20% interest.

MATERIAL CONTRACTS

Particulars regarding every material contract entered into by the Company and its subsidiaries within the past two years, other than in the ordinary course of business, are as follows:

1. Agreement dated November 20, 1969 between Ritchie Developments Limited, the Company and the Underwriters referred to under "Plan of Distribution" on page 8;

2. Agreement dated August 31, 1969 between the Company and Ritchie Developments Limited, ELECTRO-WATT Electrical & Industrial Management Co. Ltd. and Billeruds Aktiebolag relating to the acquisition by the Company of the outstanding shares of Sandwell International Incorporated, Sandwell-Paperconsult Ltd. and Sandwell Aktiebolag referred to under "Interest of Management in Material Transactions" on page 10; and
3. Agreement dated August 31, 1969 between the Company and Helmut Swantje and Ian C. MacQueen Limited whereby the Company, in exchange for the issue of 22,000 of its common shares, acquired the remaining 50% of the outstanding shares of Forestal Forestry and Engineering International Limited, the remaining 50% of the outstanding shares of Forestal Forestry and Engineering Limited and an additional 24.8% of the outstanding shares of Forestal International Incorporated, bringing the Company's ownership of the outstanding shares of the latter company to 49.6%, referred to under "Escrowed Shares" on page 8.

Copies of the foregoing agreements may be inspected during ordinary business hours at the head office of the Company during the course of primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter.

LEGAL PROCEEDINGS

Greenlees Pile Driving Co. Ltd. ("Greenlees") of Vancouver, B.C. has indicated that it intends holding the Company responsible for delay in making an award under an agreement between Greenlees and a client of the Company. In addition Greenlees has indicated it may claim damages from the Company for allegedly not properly describing soil conditions at the client's pulp mill site and for alleged inadequate specifications.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Clarkson, Gordon & Co., Chartered Accountants, 409 Granville Street, Vancouver, B.C.

The transfer agent and registrar for the common shares of the Company will be Canada Permanent Trust Company, at its principal offices in Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax.

SANDWELL AND COMPANY LIMITED

And Subsidiary Companies

Consolidated Balance Sheet

August 31, 1969

(\$000 omitted)

Assets

Cash	\$ 273
Short term deposits	607
Marketable securities — at cost plus accrued interest (market value \$262)	328
Accounts receivable from clients less allowance for doubtful accounts	1,670
Services rendered for clients - unbilled	1,163
Other current assets	214
Current assets	4,255
Investment in shares of other companies - at cost	302
Fixed assets (note 3)	829
Other assets	24
	<u>\$5,410</u>

Liabilities

Bank loans	\$ 61
Accounts payable and accruals	816
Dividend payable	131
Income taxes — payable currently (note 4)	62
— deferred (note 4)	928
Current liabilities	1,998

Shareholders' Equity

Share capital (notes 1 and 5):	
Authorized —	
2,000,000 common shares of no par value	
Issued and outstanding —	
897,000 shares	54
Retained earnings (note 6)	3,358
	<u>\$5,410</u>

On behalf of the Board:

(signed) H. R. HORNE, Director

(signed) P. E. COOPER, Director

(See accompanying notes to consolidated financial statements)

SANDWELL AND COMPANY LIMITED

And Subsidiary Companies

Consolidated Statements of Income and Retained Earnings

(\$000 omitted)

Years ended August 31

	Income				
	1969	1968	1967	1966	1965
Revenue from professional services	\$12,891	\$10,512	\$11,826	\$10,649	\$9,972
Operating expenses	10,978	10,179	9,663	8,768	7,825
Depreciation	116	119	121	83	67
	<u>11,094</u>	<u>10,298</u>	<u>9,784</u>	<u>8,851</u>	<u>7,892</u>
Net operating income	1,797	214	2,042	1,798	2,080
Investment and other income	136	185	123	110	89
Net income before income taxes	1,933	399	2,165	1,908	2,169
Income taxes (note 4)	980	218	1,001	776	892
Net income	<u>\$ 953</u>	<u>\$ 181</u>	<u>\$ 1,164</u>	<u>\$ 1,132</u>	<u>\$1,277</u>
Per share (897,000 shares)	<u>\$ 1.06</u>	<u>\$.20</u>	<u>\$ 1.30</u>	<u>\$ 1.26</u>	<u>\$ 1.42</u>

Retained Earnings

Balance, beginning of year	\$ 3,350	\$ 3,443	\$ 3,022	\$ 2,431	\$1,552
Net income as above	<u>953</u>	<u>181</u>	<u>1,164</u>	<u>1,132</u>	<u>1,277</u>
	<u>4,303</u>	<u>3,624</u>	<u>4,186</u>	<u>3,563</u>	<u>2,829</u>
Dividends declared —					
In cash	945	274	665	541	398
In preferred shares	<u>—</u>	<u>—</u>	<u>58</u>	<u>—</u>	<u>—</u>
	<u>945</u>	<u>274</u>	<u>723</u>	<u>541</u>	<u>398</u>
Tax paid on undistributed income	<u>—</u>	<u>—</u>	<u>20</u>	<u>—</u>	<u>—</u>
	<u>945</u>	<u>274</u>	<u>743</u>	<u>541</u>	<u>398</u>
Balance, end of year	<u>\$ 3,358</u>	<u>\$ 3,350</u>	<u>\$ 3,443</u>	<u>\$ 3,022</u>	<u>\$2,431</u>

(See accompanying notes to consolidated financial statements)

SANDWELL AND COMPANY LIMITED

And Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Acquisitions and accounting treatment*

In August 1969 Sandwell and Company Limited, (the "Company")

- (a) subdivided the 1,250 issued common shares into 555,000 common shares;
- (b) amended its memorandum of association to increase the number of authorized common shares without nominal or par value to 2,000,000 shares;
- (c) issued 320,000 common shares in exchange for all the outstanding shares of Sandwell International Incorporated, Sandwell Aktiebolag, and Sandwell-Paperconsult Ltd. (all of the shares of these companies were owned by the shareholders of the Company); and
- (d) issued 22,000 common shares in exchange for the remaining 50% of the outstanding shares, not previously owned by the Company, of Forestal Forestry and Engineering International Limited and Forestal Forestry and Engineering Limited. Concurrently the Company acquired additional shares of an inactive company, Forestal International Incorporated, to bring the Company's ownership of the outstanding shares of that company to 49.6%. This investment is carried in the Company's accounts at a nominal value of \$600, which approximates the applicable underlying net assets.

The acquisitions referred to above, with the exception of the minority interest of 49.6% have been treated on a "pooling of interests" basis, and accordingly the consolidated statements of income and retained earnings include the results of operations of these acquired subsidiaries for the whole of the five year period ending August 31, 1969.

The number of common shares issued for the acquisitions referred to in (c) (i.e., 320,000) was determined by taking that proportion of the then outstanding common shares of the Company (555,000) that the average net income of the acquired companies for the five years ended August 31, 1968 (\$332,000) bore to the average net income of the Company for the same period (\$546,000). The book value of the underlying net assets of these companies totalled \$631,000. The consideration assigned to the 320,000 shares issued was \$52,000, this being the amount standing to the credit of the capital accounts in the accounts of the acquired companies. The difference of \$579,000 between this amount and the book value of the underlying net assets represented retained earnings of the acquired companies and is included in consolidated retained earnings.

The number of common shares issued for the acquisitions referred to in (d) (i.e. 22,000) was established through arm's length negotiation. The average annual net earnings for the five years and five months ending August 31, 1969 attributable to the 50% interest acquired was \$28,000. The book value of the underlying net assets attributable to this 50% interest was \$21,000. The consideration assigned to the 22,000 shares issued was \$1,000, this being 50% of the amount standing to the credit of the share capital account in the accounts of the acquired companies. The difference of \$20,000 between this amount and the book value of the underlying net assets represented 50% of the retained earnings of the acquired companies and is included in consolidated retained earnings. Had these shares been valued at the public offering price of \$12 per share, the value of the consideration would have amounted to \$264,000.

2. *Exchange translation*

The statements of subsidiary companies outside Canada have been translated into Canadian dollars as follows: assets and liabilities at exchange rates prevailing at the balance sheet date; income and expenses at the average exchange rates during the period. Exchange gains or losses from such translation practices are reflected in the consolidated statements of income.

3. *Fixed assets*

	Cost	Accumulated depreciation	Net book value
Land.....	\$ 232,000	—	\$232,000
Buildings.....	448,000	\$142,000	306,000
Equipment.....	668,000	409,000	259,000
	<u>\$1,348,000</u>	<u>\$551,000</u>	<u>797,000</u>
Leasehold improvements.....			32,000
			<u>\$829,000</u>

4. *Income taxes*

The Company and certain of its subsidiaries, where permitted by law, report their income for tax purposes on a cash basis thus deferring taxes charged against income which would otherwise be payable currently. Deferred income taxes totalling \$928,000 at August 31, 1969 were accumulated as follows: 1969—\$621,000; 1968—\$76,000; 1967—\$201,000; 1966 \$(16,000); 1965—\$45,000.

Two of the foreign subsidiaries have accumulated losses totalling approximately \$190,000 which may be carried forward and may result in a tax reduction in later years.

The fluctuation in the relationship between taxes and net income is due to:

- (a) profits arising in a jurisdiction not levying tax on income;
- (b) the restricted applicability of losses in some foreign subsidiaries; and
- (c) a lower rate of tax on income in some foreign subsidiaries.

Included in the 5 years' consolidated statement of income are profits (losses) earned by a non-Canadian subsidiary operating in a jurisdiction not levying tax on income as follows: 1965—\$257,000; 1966—\$304,000; 1967—\$99,000; 1968—\$78,000; 1969—\$(6,000). While the taxability of these profits and those for the years 1962-1964 in the sum of \$336,000 is being reviewed by the Canadian tax authorities, the Company's tax advisers are of the opinion that no amount of Canadian taxes should be payable.

In November, 1969 the Minister of Finance of Canada published a White Paper proposing certain changes in the Canadian income tax structure. Should legislation be enacted in substantially the form proposed, taxation of the Company's income would be affected in that income would have to be reported on an accrual basis and income earned in the future in a jurisdiction not levying taxes on income would be subject to Canadian income tax.

5. *Share capital*

The Company has reserved 45,000 common shares for issuance upon the exercise of share options which may be granted to employees of the Company and its subsidiaries pursuant to a share option plan instituted August 22, 1969. Options to purchase 32,500 shares at a price of \$10.80 per share have been granted, and such options are exercisable on a cumulative basis as to 20% each year over a five year period commencing January 1, 1971, and expire upon the earlier of termination of employment or December 31, 1975. Pursuant to the plan, options on the remaining shares may be granted at prices not less than 90% of the market price on the day preceding the granting thereof.

6. *Retained earnings*

Dividend payments from subsidiaries in a number of countries outside Canada are subject to withholding taxes. As substantially all the unremitted accumulated earnings of such subsidiaries have been re-invested in working capital, and as the amount of earnings which will be transferred in the future and the rates which will be applicable at that time are not known, such taxes are reflected in consolidated earnings only at the time of receipt of dividends.

7. *Long-term leases*

The Company and its subsidiaries have leases on real property and equipment for varying terms up to a maximum of four years. Total rental expense for the year ended August 31, 1969 was \$399,000 and minimum rentals for the succeeding four years will aggregate approximately \$1,112,000.

8. *Claims*

A contractor to a client of the Company has indicated that it intends holding the Company responsible for delay in making an award under an agreement between the contractor and the client. In addition the contractor has indicated it may claim damages from the Company for allegedly not properly describing soil conditions at the client's pulp mill site and for alleged inadequate specifications.

9. *Subsequent events*

On November 12, 1969 the Company was converted to a public company.

AUDITORS' REPORT

To the Directors,

Sandwell and Company Limited:

We have examined the consolidated balance sheet of Sandwell and Company Limited as at August 31, 1969 and the consolidated statements of income and retained earnings for the five years then ended. Our examination of the financial statements of Sandwell and Company Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, the consolidated balance sheet and consolidated statements of income and retained earnings present fairly the financial position of the companies as at August 31, 1969 and the consolidated results of their operations for the five years then ended, all in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, Canada,
November 20, 1969.

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants

Purchaser's Statutory Rights of Withdrawal and Recission

Sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act, 1968 (Manitoba) and sections 63 and 64 of The Securities Act, 1966 (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for recission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

CERTIFICATES

November 20, 1969

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), by Part 7 of The Securities Act, 1967 (Alberta), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part VII of The Securities Act, 1968 (Manitoba), by Part VII of The Securities Act, 1966 (Ontario) and the regulations under each of them, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

(signed) P. R. SANDWELL
President

(signed) H. R. HORNE
Treasurer

On behalf of the Board of Directors

(signed) C. W. E. LOCKE
Director

(signed) P. E. COOPER
Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), by Part 7 of The Securities Act, 1967 (Alberta), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part VII of The Securities Act, 1968 (Manitoba), by Part VII of The Securities Act, 1966 (Ontario) and the regulations under each of them, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

NESBITT THOMSON SECURITIES LIMITED

PEMBERTON SECURITIES LIMITED

By: (signed) D. B. ARMSTRONG

By: (signed) J. G. CHASTON

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of:

NESBITT THOMSON SECURITIES LIMITED: A. D. Nesbitt, J. I. Crookston, J. R. Osborne, H. E. Murray, J. R. Learn, D. E. M. Schaefer, J. D. McElhinney and D. N. Stoker.

PEMBERTON SECURITIES LIMITED: Wm. E. Thomson, J. G. Chaston, J. E. Smart, I. C. Danvers, R. F. Hassen, W. R. Wyman, A. G. Osburn, G. B. Anderson and W. C. Eilers.

